

EMERY COUNTY SPECIAL SERVICE DISTRICT #1
FINANCIAL STATEMENTS
DECEMBER 31, 2005

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	10
STATEMENT OF ACTIVITIES	11
BALANCE SHEET	12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	13
NOTES TO FINANCIAL STATEMENTS	14
REQUIRED SUPPLEMENTAL INFORMATION:	
BUDGETARY COMPARISON SCHEDULE	21
NOTE A - BUDGETARY COMPARISON SCHEDULE	22
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	24
AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE	26

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members
Emery County Special Service District #1
Castle Dale, Utah 84513

We have audited the accompanying financial statements of the governmental activities of Emery County Special Service District #1, a component unit of Emery County, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Emery County Special Service District #1's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the government activities of Emery County Special Service District #1 as of December 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2006, on our consideration of Emery County Special Service District #1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 21 through 22, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 22, 2006
Richfield, Utah

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Emery County Special Service District #1 Management's Discussion and Analysis

This discussion and analysis of Emery County Special Service District #1's (District) financial performance provides an overview of the District's financial activities for the year ending December 31, 2005. This report is in conjunction with the District's financial statements, which are part of this report.

The purpose of the Emery County Special Service District #1 is to construct, repair, maintain roads, flood control facilities, water, sewage, drainage, garbage, street lighting, and snow removal within the District's boundaries.

Financial Highlights:

- The Emery County Special Service District #1 does not own any assets or have any long-term liabilities and all roads repaired or constructed in the course of special road construction projects become a part of the infrastructure of the County.
- At the close of the current year, the Emery County Special Service District #1 reported ending Net Assets of \$2,190,648 of which \$2,190,648 was restricted for road construction projects already in progress, or with contracts in force.
- The District does not have any full-time employees and spent less than 9% on general government expenditures leaving 91% of the funds for special road projects. During 2005 the District expended \$1,578,697 on special road projects.
- The District's revenues had decreased steadily in prior years due to three factors;
1) Coal production reported to Minerals Management Services has decreased 30% in the last few years due to a mine shutdown and other unknown reasons.
2) The District also receives lease revenues on gas production on State and federal lands.
3) By Emery County resolution, the District's allocation has been decreased yearly from 100% in 1998 to 47% in 2002. The District's allocation for 2005 is 44%. However, in 2005 total mineral lease allocations from the State increased. See the following graph which clearly demonstrates the change in revenues.
- Expenditures for special road projects were 90% of total in 2004 and 91% in 2005. The District general government expenses include a payment to Emery County each year of \$95,000 for accounting, rent and support services. The other general government expenses for travel, postage, board member stipends, liability insurance and telephone expenses are approximately 3% of total expenditures each year.

Using This Annual Report

This discussion and analysis are intended to serve as an introduction to Emery County Special Service District #1. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Emery County Special Service District #1
Management's Discussion and Analysis (Continued)**

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with a difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities present information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the year.

The district has one governmental fund, the general fund. The general fund at year end has unreserved fund balance of \$-0-.

Reporting the District as a Whole

The District realizes revenues from several sources; 1) mineral lease revenues received from the State of Utah, 2) other grants from the State of Utah, passed through Emery County 3) reimbursements for expenditures made on behalf of private entities, 4) investment earnings and 5) other sundry revenues.

Contacting the District

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chairman, Merrill A. Swasey, P.O. Box 1055, Castle Dale, UT 84513.

**Emery County Special Service District #1
Management's Discussion and Analysis (Continued)**

Condensed Financial Statements:

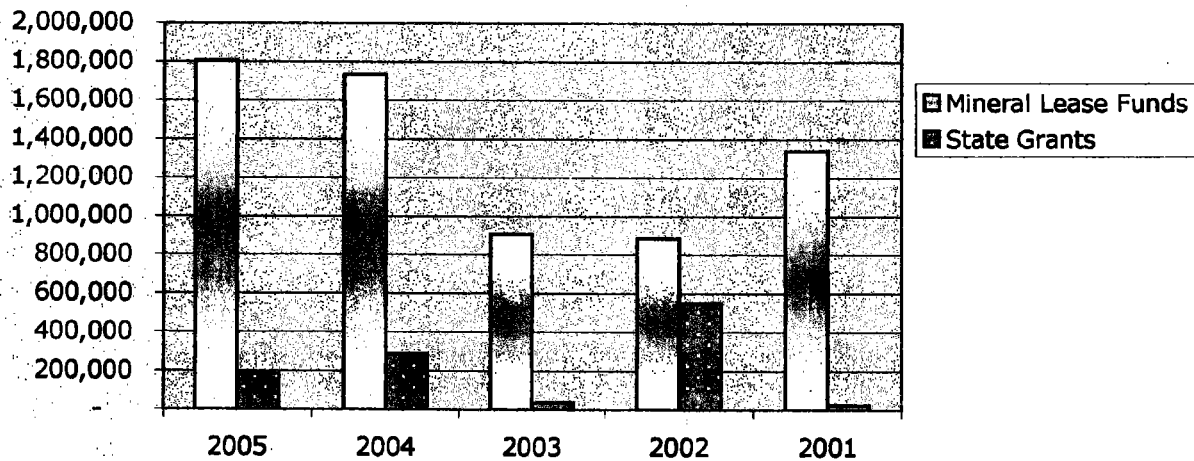
A comparative analysis is provided for 2005 and 2004.

	<u>2005</u>	<u>2004</u>		<u>2005</u>	<u>2004</u>
Assets:			Revenues:		
Current	2,191,015	1,283,984	Charges for Services	583,813	122,864
Non-Current	-	-	Operating Grants	1,989,333	2,017,515
Total Assets	<u>2,191,015</u>	<u>1,283,984</u>	General Revenues	<u>63,079</u>	<u>18,848</u>
			Total Revenues	<u>2,636,225</u>	<u>2,159,227</u>
Liabilities:			Expenditures:		
Current	367	13,435	Current	137,429	138,165
Long-Term	-	-	Capital	<u>1,578,697</u>	<u>1,181,539</u>
Total Liabilities	<u>367</u>	<u>13,435</u>	Total Expenditures	<u>1,716,126</u>	<u>1,319,704</u>
Net Assets:					
Restricted	2,190,648	994,639	Change in Net Assets	920,099	839,523
Unrestricted	-	275,910	Beginning Net Assets	<u>1,270,549</u>	<u>431,026</u>
Net Assets	<u>2,190,648</u>	<u>1,270,549</u>	Ending Net Assets	<u>2,190,648</u>	<u>1,270,549</u>

**Emery County Special Service District #1
Revenue - Five Year Comparison**

	2005	2004	2003	2002	2001
Mineral Lease Funds	1,804,256	1,731,997	905,813	883,058	1,338,973
State Grants	185,077	285,519	34,838	547,738	25,000
Charges For Services	583,813	122,863	376,783	32,492	23,750
Sundry	44	310	32	5,256	511
Investment Earnings	63,035	18,538	10,405	23,368	69,941
Total	2,636,225	2,159,227	1,327,871	1,491,912	1,458,175

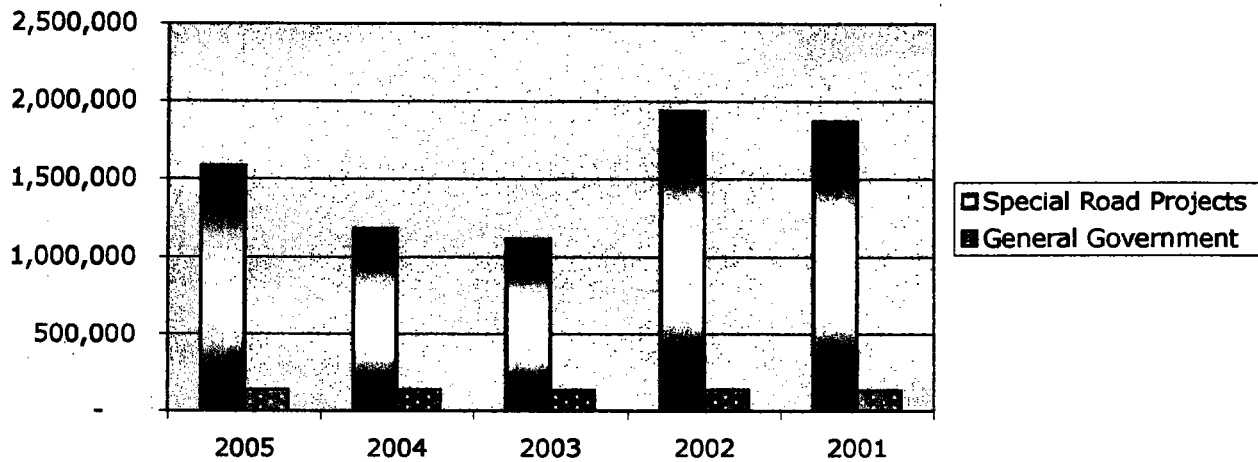
Mineral Lease Funds & State Grants



**Emery County Special Service District #1
Expenditures - Five Year Comparison**

	2005	2004	2003	2002	2001
Special Road Projects	1,578,697	1,181,539	1,116,466	1,933,772	1,870,353
General Government	137,429	138,165	136,146	137,782	134,888
Total	1,716,126	1,319,704	1,252,612	2,071,554	2,005,241

**Special Road Projects & General
Government Expenditures**



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BASIC FINANCIAL STATEMENTS

**EMERY COUNTY SPECIAL SERVICE DISTRICT #1
STATEMENT OF NET ASSETS**

December 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash	3,350
Investments	<u>2,187,665</u>
TOTAL ASSETS	<u>2,191,015</u>
LIABILITIES	
Accounts Payable	<u>367</u>
TOTAL LIABILITIES	<u>367</u>
NET ASSETS	
Restricted:	
Reserved for Road Construction Projects	<u>2,190,648</u>
TOTAL NET ASSETS	<u>2,190,648</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2,191,015</u></u>

The notes to the financial statements are an integral part of this statement.

EMERY COUNTY SPECIAL SERVICE DISTRICT #1
STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2005

		<u>Program Revenues</u>		<u>Net (Expense)</u>
				<u>Revenue and</u>
				<u>Changes in</u>
				<u>Net Assets</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Governmental</u>
		<u>Services</u>	<u>Grants/</u>	<u>Activities</u>
			<u>Contributions</u>	
Functions/Programs:				
Governmental Activities:				
General Government	137,429	-	1,804,256	1,666,827
Special Road Projects	<u>1,578,697</u>	<u>583,813</u>	<u>185,077</u>	<u>(809,807)</u>
TOTAL REVENUES	<u><u>1,716,126</u></u>	<u><u>583,813</u></u>	<u><u>1,989,333</u></u>	<u><u>857,020</u></u>
		General Revenues:		
		Sundry		44
		Unrestricted Investment Earnings		<u>63,035</u>
		Total General Revenues		<u><u>63,079</u></u>
		Changes in Net Assets		920,099
		Net Assets - Beginning		<u><u>1,270,549</u></u>
		Net Assets - Ending		<u><u><u>2,190,648</u></u></u>

The notes to the financial statements are an integral part of this statement.

**EMERY COUNTY SPECIAL SERVICE DISTRICT #1
BALANCE SHEET
GOVERNMENTAL FUND TYPE**

December 31, 2005

	<u>General Fund</u>
ASSETS	
Cash in Bank - Money Management Account	3,350
Investment - Public Treasurer's Investment Fund	<u>2,187,665</u>
TOTAL ASSETS	<u><u>2,191,015</u></u>
LIABILITIES AND FUND EQUITY	
Liabilities:	
Retentions Payable	<u>367</u>
Total Liabilities	<u>367</u>
Fund Equity:	
Reserved Fund Balance:	
Reserved for Construction	<u>2,190,648</u>
Total Fund Equity	<u>2,190,648</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>2,191,015</u></u>

The notes to the financial statements are an integral part of this statement.

EMERY COUNTY SPECIAL SERVICE DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPE

For The Year Ended December 31, 2005

	<u>General Fund</u>
REVENUE	
State Sources	1,989,333
Sundry Revenues	44
Charges for Services	583,813
Investment Earnings	<u>63,035</u>
TOTAL REVENUES	<u>2,636,225</u>
EXPENDITURES	
General Government	137,429
Special Road Projects	<u>1,578,697</u>
TOTAL EXPENDITURES	<u>1,716,126</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	920,099
FUND BALANCE - BEGINNING OF YEAR	<u>1,270,549</u>
FUND BALANCE - END OF YEAR	<u><u>2,190,648</u></u>

The notes to the financial statements are an integral part of this statement.

**EMERY COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Emery County Special Service District #1, a component unit of Emery County, was created by adoption of a resolution to establish a special service district by the Emery County Commissioners on November 2, 1988 for the purpose of improving the county road system in Emery County. The District services were expended by resolution to include flood control facilities, water, sewage drainage, garbage, street lighting and snow removal within the District boundaries. The Special Service District's Administrative Control Board consists of five (5) members, each of whom was appointed by the Board of Commissioners. The Board of Commissioners appointed the initial two members to serve two year terms and the remaining three members to serve four year terms. The Board members, at their initial meeting, elected a chairperson and a secretary to serve such terms as the board shall determine.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District, the primary government, as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

EMERY COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sources and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if material. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government. The District's only fund is the General Fund

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables:

All trade receivables are deemed 100% collectible and , therefore, no allowance for uncollectibles is shown when receivables are recorded.

**EMERY COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - BUDGET PROCESS

Emery County Special Service District #1 has properly adopted required budgets for 2005. Changes to the adopted budget were properly made by resolution and public hearing of the County Commissioners.

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearing is published at least ten days prior to the meetings.
6. Public hearing are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Trustees.

**EMERY COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits:

At year-end, the carrying amount of the Special Service Districts deposits was \$3,350 and the bank balance was \$17,799. All of the bank balance was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of December 31, 2005, consist of the following:

	<u>Fair Value</u>
Demand Deposits	3,350
Investments - PTIF	<u>2,187,665</u>
Total Cash and Investments	<u><u>2,191,015</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	<u>2,191,015</u>
Total Cash and Investments	<u><u>2,191,015</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state.

**EMERY COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposit and Investment Risk:

The District maintains no investment policy containing any specific provisions intended to limit the District's exposure to interest rate risk, credit risk and concentration of credit risk other than that imposed by UMMA. The District's compliance with the provisions of UMMA addressed each of these risks.

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investment of the District are available immediately.

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. All of the District's demand deposits were covered by FDIC insurance.

Custodial credit risk for investment is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in State approved institutions.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments. For the year ended December 31, 2005, the District had investments of \$2,187,665 with the PTIF. The entire balance had a maturity of less than one year. The PTIF Pool has not been rated.

EMERY COUNTY SPECIAL SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 4 - COMMITMENTS

At December 31, 2005, the District had committed funds for the following road projects:

<u>Project</u>	<u>Amount</u>
Rilda Canyon Road SR31	236,448
Huntington Airport	4,200
South Moore Phase II	150,000
South Moore Phase III and IV	1,300,000
Temple Mountain Road	<u>500,000</u>
Total Commitments	<u><u>2,190,648</u></u>

NOTE 5 - RISK MANAGEMENT

Emery County Special Service District #1 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; public officials errors and omissions. The District is insured through the Utah Local Governments Trust. The limits of general liability and property damage are \$2,000,000 combined single limit, with a \$0.00 deductible for each occurrence.

Claims have not exceeded premiums in any of the last three calendar years.

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**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**EMERY COUNTY SPECIAL SERVICE DISTRICT #1
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUND**

For The Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, January 1	<u>1,270,549</u>	<u>1,270,549</u>	<u>1,270,549</u>	<u>-</u>
Resources (Inflows):				
Intergovernmental:				
State Mineral Lease	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,804,256</u>	<u>304,256</u>
Shared Contracts	<u>1,010,000</u>	<u>1,010,000</u>	<u>768,890</u>	<u>(241,110)</u>
Total Intergovernmental	<u>2,510,000</u>	<u>2,510,000</u>	<u>2,573,146</u>	<u>63,146</u>
Sundry Revenues	<u>-</u>	<u>-</u>	<u>44</u>	<u>44</u>
Investment Earnings	<u>15,000</u>	<u>15,000</u>	<u>63,035</u>	<u>48,035</u>
Contribution from Fund Balance	<u>900,000</u>	<u>900,000</u>	<u>-</u>	<u>(900,000)</u>
Amounts Available for Appropriation	<u>4,695,549</u>	<u>4,695,549</u>	<u>3,906,774</u>	<u>(788,775)</u>
Charges to Appropriations (Outflows):				
Current:				
Special Road Projects	<u>3,061,500</u>	<u>3,061,500</u>	<u>1,578,697</u>	<u>1,482,803</u>
Administrative Expenses	<u>363,500</u>	<u>363,500</u>	<u>137,429</u>	<u>226,071</u>
Total Charges to Appropriations	<u>3,425,000</u>	<u>3,425,000</u>	<u>1,716,126</u>	<u>1,708,874</u>
Budgetary Fund Balance, December 31	<u>1,270,549</u>	<u>1,270,549</u>	<u>2,190,648</u>	<u>920,099</u>

EMERY COUNTY SPECIAL SERVICE DISTRICT #1
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION

For The Year Ended December 31, 2005

	<u>General Fund</u>
Sources/Inflows and Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	3,906,774
Differences - Budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(1,270,549)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>2,636,225</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	<u>1,716,126</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>1,716,126</u></u>

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COMPLIANCE SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Board Members
Emery County Special Service District #1
Castle Dale, Utah 84513

We have audited the financial statements of the governmental activities of Emery County Special Service District #1, a component unit of Emery County, as and for the year ended December 31, 2005, which collectively comprise Emery County Special Service District #1's basic financial statements and have issued our report thereon dated May 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Emery County Special Service District #1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emery County Special Service District #1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Honorable Board Members
Emery County Special Service District #1
Page -2-

This report is intended solely for the information and use of the audit committee, management, and board members and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 22, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board Members
Emery County Special Service District #1
Castle Dale, Utah 84513

We have audited the accompanying financial statements of the governmental activities of Emery County Special Service District #1, a component unit of Emery County, for the year ended December 31, 2005, and have issued our report thereon dated May 22, 2006. As part of our audit, we have audited Emery County Special Service District #1's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2005. The County received the following major State assistance program from the State of Utah:

Mineral Lease (Department of Transportation)

The District also received the following nonmajor grant, which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Emery County Special Service District #1's financial statements.)

Airport Construction (Department of Transportation)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Other Compliance Requirements

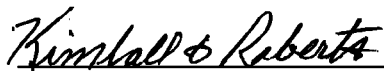
The management of Emery County Special Service District #1 is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The Honorable Board Members
Emery County Special Service District #1
Page -2-

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Emery County Special Service District #1, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended December 31, 2005.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 22, 2006
Richfield, Utah